the Memorandum of Association with Rules and Regulations and Bye-Laws of the Tuberculosis Association of India, this House do proceed to elect in such manner as the Chairman may direct, one Member from among the Members of this House to the Central Committee of the Tuberculosis Association of India, in the vacancy caused by the retirement of Shrimati Vidya Beniwal from the membership of the Rajya Sabha on 9th April, 1996.

The question was put and the motion was adopted.

THE BUDGET (GENERAL), 1997-98

THE DEPUTY CHAIRMAN: Now, the Minister will reply to the Budget discussion.

How much time will you take, Mr. Minister?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): About 45 minutes or 50 minutes.

SHRI AJIT P.K. JOGI (Madhya Pradesh): No interruptions.

THE DEPUTY CHAIRMAN: There will be no interruptions.

SHRI P. CHIDAMBARAM: Madam Deputy Chairman, I am deeply grateful to the hon. Members who have participated in this debate on the Budget.

It is my privilege to reply to the debate this year first in the Rajya Sabha and later on today in the Lok Sabha. I believe there was a precedent for this in 1994. In a way, we just treat the two Houses equally. We present the Budget there, but we reply to the debate here first.

I am also grateful to the hon. Members for very high level of the debate, to the leaders of various political parties and to those who spoke in the debate for rising above partisan considerations, for welcoming what they found were positive aspects in the Budget, for criticising, as they should, what they found were aspects which required to be reconsidered and for raising a number of questions which I am bound to answer. But, if I may say with respect, the debate this year, compared to that in previous years, clearly underscores the point that this Budget has been generally well received throughout the country, and, as representatives of the people, those assembled here are reflecting the fact that the people have, by and large, accepted this Budget as one serving the objectives which were set before this Government while framing the Budget.

Madam, there will be another occasion when we will discuss the Finance Bill. So, I do not want to use my time today to reply to specific issues raised about the taxation proposals, specific excise duties or specific customs duties because there will be another occasion, and on that occasion we can deal with many of these grievances and doubts. In fact, the recess period will give an opportunity to my Ministry to examine the various post-Budget representations. But, I can tell you that the number of post-Budget representations received this year, I believe, has been the lowest in many years. We will use this month to discuss the post-Budget representations, and we will have satisfactory answers to everyone who has raised doubts regarding items ranging from umbrellas to C.R. coils. So, I wish to leave all those issues out for the time being.

Let me deal with the general philosophy behind this Budget and the general economic situation. Madam, on more than one occasion I have said that I am building on an economy which has gained muscle and strength in the last five years. There is no gainsaying the fact that the economy which grew by an average of 7 per cent in 1994-95 and 1995-96, does give the new Government a solid basis, on which it can build its policies. Seven per cent growth is not a mean achievement. I would urge hon.

Members to carry this message to the people of India. The country's GDP for 30 years between 1950 and 1980 grew by no more than three-and-a-half per cent. During the 1980s, we did achieve a growth-rate of about 5.5 or 5.6 per cent. It is for the first time in the 1990s, and that too in 1994-95 and 1995-96, that we have achieved the 7 per cent growth. We have virtually doubled the growth-rate which this country was used to for thirty years. Seven per cent growth-rate is, therefore, not a mean achievement.

It is also a hard act to follow. One has to maintain that growth-rate in 1996-97 and also has to aim at a higher growth. I have, therefore, said that in terms of growth perception, the policy of this Government is to sustain a 7 per cent growth and try and attain an 8 per cent growth by the end of the century.

1996-97 was a mixed year. There were some difficulties peculiar to that year. The two most important difficulties were that wheat production declined by 3.1 million tonnes and wheat procurement, for a variety of reasons, declined by 4.1 million tonnes. The second peculiar difficulty that we faced was, again for a variety of reasons, that petroleum as well as consumer prices were not corrected for over two years. Therefore, the year 1996-97 was a difficult year. We had a liquidity crunch. Some people say that the liquidity crunch did not exist. I am sorry, I will have to refute that argument. The liquidity crunch was real and, in fact, it is partially real even today. Go and ask any businessman or any industrialist, whether he faces difficulty in raising funds, both in the capital market and in the debt market. Nine out of ten businessmen will tell you that there is a real difficulty in raising funds. At a price, of course, you can always get money. The Classical economists will tell you that at a price you can get money. But, that is the surest indicator of liquidity crunch that you get it only at a high price of 21% or 22%. So, there is a liquidity crunch. We had to deal with the liquidity crunch. Therefore, we had to reduce the C.R.R. and we had to persuade the banks to reduce the interest rate and we continued to urge the banks to lend more to the borrowers, because, I believe, there is still an active demand for capital in order to invest in industry. But, that year—1996-97—is coming to an end. And I have no reason to disbelieve what the C.S.O. has put out. If the C.S.O. estimate of 6.8 per cent growth in 1996-97 turns out to be true, I think, for a Government which came into Office in June, which presented its Budget in July, which had its Budget passed on 13th of September and which had only six effective months to put in place its policies, this year has been a satisfactory year. I think we should all be grateful that both the natural and the productive forces have cooperated and the year has been a satisfactory year. I will say no more about the year that has come to an end.

Some doubts were raised about the revenue projections. Now, projection, to some extent, is a matter of faith. But revised estimates are not a matter of record. If I am reasonably correct in my Revised Estimates, I would urge the hon. Members to give me the credit for being reasonably correct in my projections. The Revised Estimates figures have been placed before this House. Even before I came to Parliament to present the Budget, I had tracked the revenue collections very very closely. I have reviewed the revenue collections thereafter virtually every week. I have reviewed it even this morning. Let me share with the hon. Members that I have been assured by the two apex Boards in our system—the Central Board of Direct Taxes and the Central Board of Excise and Customs that in 1996-97, the year which is coming to an end on 31st March, we will achieve the Revised Estimates that were presented in the Budget. That is a good sign. If we achieve the Revised Estimates, then there is no reason to doubt that we will also achieve the revenues projected for 1997-98. Mr. Pranab Mukherjee, for whom I have a

great respect and admiration, knows that. Many others have raised some doubts about the revenue projections. Let me begin by saying this. The nominal G.D.P. will, I believe, grow by 15-16%. If the nominal GDP grows by 15-16 per cent, there is no reason to believe that tax revenues will not also grow by 15-16 per cent, even assuming that the ratio of buoyancy is unity. But what is the record? The record is that, the average buoyancy of personal income-tax as measured by the ratio of change in tax revenue to change in GDP in current prices has risen from 1.1 in the late 80s to 1.5 in 1991-92 to 1995-96. Similarly, buoyancy of corporate income-tax revenues has risen from an average of 0.8 per cent to 1.6 per cent. Our experience shows that if personal income-tax rates are cut, if corporate income-tax rates are cut, the buoyancy is more than unity. In the case of personal income-tax, it is about 1.5; in the case of corporate income-tax, it is 1.6. In fact, taxes have been cut in the past. And I have here the record of the last five years. On domestic companies, tax has been cut from a high of 50 per cent in 1991 to 45 per cent and then to 40 per cent which has since been cut to 35 per cent. Similarly, your personal income-tax rates, both the slabs have been enlarged and a high marginal rate of 50 per cent was cut to 40 per cent and it has now again been cut to 30 per cent. I believe that both the taxes will show the buoyancy that we have shown in the last few years and that we will achieve the projected revenues on both the personal income-tax and corporate tax. On excise and customs, there is no serious argument that we will achieve the targets. In fact, if you look at the past years, every time tax has been cut and conventional losses have been calculated, the year has ended with a great deal of revenues. Take, for example, corporation tax. The year in which it was cut the most was 1994-95 and the conventional losses were at Rs. 1355 crores; the year ended with an increase of Rs. 3762 crores. On personal income-tax, it was cut on conventional terms in three years, 1990-91, 1994-95 and 1995-96. In all the three years, revenues were much larger. On excise duty, in 1995-96, to just take an example, the conventional loss was calculated at Rs. 311 crores; the year ended with Rs. 2840 crores more. On customs duty, the sharpest cut was made in customs duty in four years. Let me take two examples. In 1994-95, it was cut by Rs. 2282 crores as conventional loss calculation; the year ended with Rs. 4596 crores more. In 1995-96, conventional loss calculation showed Rs. 1179 crores; the year ended Rs. 8968 crores more. I believe, Madam, that these conventional loss calculations are really calculations along a straight line. I have shown the conventional loss figures also in my Budget speech which I will come to presently. I feel no reason to assume that the revenue projections for 1997-98 will not be achieved. And please remember, the overall revenue projections only show an increase of about 15-16 per cent. Even if the GDP grows nominally at 15-16 per cent, even with unity buoyancy for corporate tax and personal income tax and normal growth in excise and customs, we should be able to achieve the revenue targets. But I take Pranab Mukherjee's warning very seriously. Unless the tax administration is tightened, unless we monitor it very carefully, unless we eliminate the various irritants that are coming into the tax administration system, we might fall behind in revenues. I promise this House that I will pay great attention now to streamlining the tax administration because I believe personal income-tax has come to its resting point. Corporate income-tax has also, maybe, come to its resting point. There is not much anyone can do more on that. Now, the task is to streamline the tax administration to ensure that a larger number of people paying smaller taxes, give us the tax revenues that are necessary in order to fund both investment and social sector expenditure.

Madam, there was some criticism that I had not revealed the conventional losses.

I take that in good spirit. Partly, that is right. I have revealed the losses on the customs side as Rs. 2,625 crores. On the excise side, I have said that it is, in fact, neutral, because I have raised some excise duty through service tax. I said it is neutral.

On the personal income-tax and corporation tax, I have not stated as to what the conventional loss is. The reason is, I think the conventional loss is most meaningless when it comes to personal income-tax and corporation tax. We are not talking about mere growth in imports or growth in production. We are talking about the net. The tax net is so narrow and so small that even if ten per cent or twenty per cent is added to the tax net, it will make a mockery of the conventional loss calculation. I am not putting my faith in collecting more from the existing tax assessees. I am placing my faith in the ability of the Department to bring into the net lakhs and lakhs of people, who ought to be in the tax net, and who are not in the tax net. What is their rate of taxation today? The rate of taxation for a man, who is not in the tax net, is zero. Therefore, if I bring a man into the tax net, the effective rate of taxation for him goes up. It is not a choice between a man with an effective tax rate of 20 per cent, paying me 22 per cent. It is a man, who is not paying me anything, who pays zero tax. Bringing him into the tax net, asking him to pay even ten per cent at the threshold rate or twenty per cent at the threshold rate, I believe, will give us tremendous revenue. A large number of corporations do not pay tax. Some of them are Zero Tax Companies, who come under MAT. But there are a larger number of smaller companies, which are not listed, and which are not monitored very carefully, who simply return some kind of a loss, and get away without paying any tax. By bringing them into the tax net, I am confident that we will achieve our revenue projections.

To conclude this part, Madam, in paragraph 80 of part A of my speech, I have said that gross tax revenue at existing rates of taxation is estimated at Rs. 1,53,347 crores, and after providing the States' share, the Centre's net tax revenue will be Rs. 1,13,094 crores. What have I taken credit for? Finally, in the Budget Estimates for 1997-98, I have taken credit for net tax revenue to the Centre at Rs. 1,13,394 crores. In fact, the numbers are more or less the same. There is a difference of only Rs. 300 crores. If I have done nothing, if I have made no changes as far as taxes are concerned, if I had simply continued to apply the existing tax rates, I would have got to the Centre Rs. 1,13,094 crores. By making the changes that I have made and by proposing an alternative philosophy on personal income-tax and corporation tax, I hope to achieve the same level of revenue, that is, Rs. 1,13,394 crores. I think this is a distinction which I would submit between an accountant and a Finance Minister. If I simply wanted revenues and did nothing, if I simply apply the existing rates, I would have got the same money. But would it have promoted investment? Would it have promoted development? Would it have promoted growth? Would it have made our tax rates competitive with the Asian tax rates? Would it have made India's economy, as attractive to the domestic investors and foreign investors, as some other economies are? The answer to all these questions is no. I would have got the same revenue. I might have earned a good name for being a good accountant, but I would have surely failed this country because, then. I would not have done anything in order to promote investment, to promote growth and bring about a greater equity and distribution of the taxation burden in this country. I submit, Madam, that I am confident of raising the revenues. Madam, let me take a few minutes to describe the macro-economic situation, and why I think the objectives that we have set out in the Budget, are important. Thanks to the changes that we have brought about in the last four or five years, it is now

widely recognised that the most important single index of the health, efficiency and competitiveness of the economy is its gross fiscal deficit. This concept was not there in Indian Budget-making until a few years ago. But now it is widely recognised that we must target the gross fiscal deficit. Why? It is not to satisfy the IMF and the World Bank. That is, according to me, a very cheap criticism, to say that we are doing it to satisfy the IMF and the World Bank. Keep the IMF and the World Bank out. When somebody pointed out to me that IMF is a prescription, I said, it is out of a textbook. And you can't run a country out of a textbook. You can't run a country with 300 million poor people out of a textbook. You will have to be realistic. You have to do a number of things. Keep the IMF out. The real issue is, it is now accepted that a gross fiscal deficit is one which affects every element of economic policy-making. If the fiscal deficit is high, inevitably, the Government's borrowing is high, and the consequence is, not enough money is available for investment by the private sector and the public sector companies because the Government borrows money for its expenditure. If the gross fiscal deficit is high, monetisation is high. If monetisation is high, it will lead to inflation, and inflation is the cruelest form of taxation because inflation taxes everybody equally. If the inflation is 8 per cent, the billionaire is also taxed at 8 per cent and the man who is earning a hundred rupees a month is also taxed at 8 per cent. It is the cruelest form of taxation. So, gross fiscal deficit or high gross fiscal deficit leads to high monetisation, leads to inflation, leads to a completely inequitable society because gross fiscal deficit has to be controlled even if we are concerned about the poor. Therefore, we are targeting the gross fiscal deficit. As I said yesterday, I believe in the other House, when Dr. Manmohan Singh took over, that year he started with a gross fiscal deficit of 8.3 per cent. When he laid down office, when the Congress Government laid down office, they had compressed gross fiscal deficit to 5.5 per cent. By any standard, without runaway inflation, without massive improvisation of the people, without massive unemployment, reducing a gross fiscal deficit from 8.3 per cent to 5.5 per cent is remarkable achievement; there is no doubt about that. But now the difficult part arises. It is like climbing a mountain, Madam. If you are climbing a mountain of 29,000 ft., say the Everest, the first 20,000 ft. is reasonably easy. From 20,000 to 25,000 it is difficult; from 25,000 to 28,000 it is more difficult, and the last thousand feet are the most difficult to climb. Many people have given up at 28,000 ft. Similarly, compressing fiscal deficit beyond 5.5 per cent is a more difficult task. We have succeeded in 1996-97 to stick to our target and we have compressed fiscal deficit to 5 per cent, and I believe that the singular achievement in fiscal and monetary management of 1996-97 is containing fiscal deficit at 5 per cent. More than that, we have promised to keep fiscal deficit at 4.5 per cent. Our CMP says that we should take it down to below 4 per cent. I am bound to achieve the target of the CMP, and I intend to do it by bringing down fiscal deficit to 4.5 per cent in 1997-98, and, with your cooperation, I intend to bring down fiscal deficit to below 4 per cent in 1998-99, and I am sure, by the turn of the century India would have achieved, at least, at the Central Government level a fiscal deficit of about 3 per cent. Please remember that the fiscal deficit of the country includes the fiscal deficit of the State Governments also, and their fiscal correction is not taking place adequately. That is a larger subject, the state of affairs in our States, the state of finances in our States and what it is causing to the macro-economy, to which we will have to return on a separate occasion. But we must continue to target fiscal deficit. Only if the fiscal deficit is controlled, we will have enough investible funds for

productive investment and growth in the economy. The interest rates wil remain in the moderate range. RBI financing or monetisation will be kept within prudent limits so that monetary growth and inflationary pressures are contained. The growth in interest payments arising out of additional net borrowing, which is a fiscal deficit, will be kept in check.

The next point I would wish to address, Madam, is inflation. I believe Mr. Pranab Mukherjee has said that I have not put inflation and price stability, high on my agenda. I am sorry that his attention was not, perhaps, drawn to some paragraphs in my Budget Speech. I would most humbly invite his attention and the attention of the whole House to paragraph 9 of Part A of my Speech where I say, and I quote:

> "Other matters of concern include a deceleration in the growth of exports, a rise in the rate of inflation and a volatile capital market."

Then in paragraph 10 I deal with price stability and I end by saying, "Maintaining price stability is high on the agenda of this Government."

Madam, as I said, we started with a difficult situation on the price front because of the low wheat production and wheat procurement and because the petroleum prices and other prices had to be corrected in 1996-97. I am aware that people are asking me why I didn't address the petroleum price issue in my Budget Speech. I don't want to give any clever answers, but you will pardon a digression. I believe—I have gone into the records—that no Finance Minister before me has addressed the petroleum price issue in his Budget Speech. I don't see any reason why I should be an exception.

SHRIMATI RENUKA CHOWDHURY (Andhra Pradesh): This is for the first time they have come to you for Budgetary support.

SHRI P. CHIDAMBARAM: No. They have not. No Finance Minister addressed the petroleum price issue in his Budget Speech. The petroleum prices have always been addressed outside the Budget for the good reason that the Oil Pool Account is outside the Budget. The Oil Pool Account is not part of the Budget. The Oil Pool Account is an account maintained by the Ministry of Petroleum on behalf of the oil companies where monies are put in and monies are taken out. If there is a surplus, it is reflected in the Oil Pool Account and if there is a deficit, it is reflected in the Oil Pool Account. While I agree that the issue of petroleum price should be addressed, I would humbly summit that this Government has paid the highest attention to it by including a paragraph in the President's Address to the Joint Session of both the Houses. Both the Houses have debated the President's Address. All the views are now in the open. We know now where we stand. We know now the imperative of addressing the petroleum price issue. I have no doubt in my mind that the Government will address the petroleum price issue appropriately.

Coming back to inflation, as I said, because of corrections made in the prices and because of the wheat situation there was pressure on inflation. The inflation rate is now at 7.8% or so. But let us look at the record. It is true that the inflation rate came down at one point of time to 4.5%. But has anyone believed that was the true inflation rate? Has anyone in this country believed that was the underlying inflation rate? If that was so, why did interest rate not soften? If the market believed that inflation rate, interest rate ought to have softened up very rapidly. Nobody believed it because they knew that it was only an apparent inflation rate and the true and underlying inflation rate was at least two percentage points more because the prices were not being corrected. Therefore, the real inflation rate when this Government came into office, was about 6.5%, and in the last ten months we have maintained the

inflation rate at single digit. The inflation rate is still a shade below 8%. Despite the petroleum price correction, despite the pressure put on prices by the rise in wheat prices, we have been able to contain inflation by controlling money supply. The Governor of Reserve Bank and others, in whom I have great faith, have advised me that all modern thinking, all modern research, points to the fact that it is the growth of money supply which has an impact on inflation.

In 1995-96, money supply was kept at 13.2. per cent. It did control inflation. But it also put a squeeze on liquidity. In 1996-97, we consciously expanded the money supply. We said, "We will contain it within 16 per cent. I believe by the end of the year it will be around 16 per cent." This year the Government and the Reserve Bank of India, the Central Bank, are of one mind. We are acting in concert and in consultation. Let there be no doubt in anybody's mind that the Government and the Central Bank are committed to containing M3 growth to below 16 per cent, containing it within 16 per cent and we will not allow the money supply to expand rapidly which will have a direct impact on inflation. The highest importance is being paid towards maintaining price stability. It is in that connection I said, "We need to be more liberal in our imports, particularly of commodities of mass consumption and essential commodities in which shortfalls may arise. I said it in my Budget speech and I repeat it. We will try to maximise procurement of wheat and paddy. So far as paddy is concerned, I believe, we are on good ground. Paddy procurement this year is running higher than paddy procurement last year. We may not, I am told, face any difficulty. So far as wheat situation is concerned, the procurement season will start on the 1st of April. I intend to make an appeal in a moment. We will try to maximise wheat procurement. But if there is a shortfall in wheat procurement, if we do not gets The word is creative. These foreign exchange reserves have to be used creatively: one, in order to contain money supply and the other to use what you have in order to benefit the economy. The Governor of the RBI and the Government will together find ways and means in which the foreign exchange reserve could be used creatively. Some part of it will have to be sterilised. We would sterilise some part of it. But we will try to use it creatively in order to give a boost to the economy.

Next, I turn to the social sector. Some criticism has been made in some quarters that we are spending less or we intend to spend less in the social sector. With great respect, I submit, nothing can be farther from the truth. The social sector received the highest attention this year, and I will take about six or seven minutes to deal with this subject. Firstly, take the Plan expenditure. Notwithstanding liberalisation, there is a place for planning. We can differ on the nature of planning. But nobody disagrees that there is a place for planning. Some people say that it should be detailed planning. Some people say that it should be perspective planning. Some people say that it should be indicative planning. But some plan is required and given our system, we think and substantially correctly that Plan expenditure is better that non-Plan expenditure. Most countries do not have that distinction. Most countries have capital expenditure and revenue expenditure. But we have, capital and revenue, Plan and non-Plan expenditure. But let me simply accept the conventional wisdom and I share it substantially. Plan expenditure is better than non-Plan expenditure. Now what is the increase in Plan expenditure this year? In the Budget — 1997-98, the increase in Plan expenditure is Rs. 8,000 crores which is the highest increase ever of BE over RE. Never before has a Budget proposed an increase of Rs. 8,000 crores on Plan expenditure over the revised estimates of the previous year...*(Interruptions)*...

DR. JAGANNATH MISHRA (Bihar): What about the proportion to the GDP?

That is the question. You compare the figures of 1995-96, then 1996-97 and 1997-98. What is the percentage to the GDP? We do not want the quantum of money.

SHRI P. CHIDAMBARAM: I have understood your question. Madam, if people are satisfied with percentages, I will deal with that. But in terms of hard money, what is being made available to the Plan is an additional Rs. 8,000 crores which shall be divided among various departments. We can quibble If I give percentages, somebody will ask me about absolute numbers. If I give absolute numbers, somebody can ask me about percentages. Statistics, of course, is the play-field of economists and politicians. But the fact remains, Rs. 8,000 crores is the additional amount which is being provided to the Plan. Now when the approach paper to the Plan was discussed, there were a lot of speculative stories in the newspapers that the Planning Commission was asking for a budgetary support of Rs. 370,000 crores, but the Finance Ministry was promising not more than Rs. 300,000 crores. Much of it is speculative. Let us take the figure of Rs. 370,000 crores. If you take Rs. 370,000 crores [the Plan expenditure] the budgetary support for Plan this year will amount to somewhere between 16 per cent to 17 per cent. Which is again one of the highest in the first year of a Plan. Budgetary support to the Plan usually builds up a 16 per cent, 18 per cent, 20 per cent, 22 per cent and 24 per cent. It is a step-increase over five years. Even by that measure, what has been provided to the Plan this year represents one of the highest provisions in the first year of a Plan. One half of the budgetary support for Plan this year has been given to social sector, rural development and anti-poverty programmes. I will substantiate this with figures. One half of the total budgetary support has gone to the social sector, rural development and anti-poverty programmes. The provision for basic minimum services has increased from Rs. 2,466 crores to Rs. 3,300 crores. Taking Plan and non-Plan allocations together, this Budget provides Rs. 17,183 crores for social services. Adequate wheat in order to service the PDS, particularly the targeted PDS—thanks to the reduction in prices, there is likely to be a higher offtake this year—we will have no hesitation in importing wheat. We will maintain price stability by both containing money supply under 16 per cent as well as liberally importing essential commodities which are necessary for mass consumption and for price stability.

The Budget strategy for reducing the rate of inflation includes the following elements: Reduction in the fiscal deficit to 4.5 per cent of GDP; An agreed programme with the RBI to hold money supply growth to below 16 per cent; Even if there is a sizeable build up of foreign exchange reserves, the RBI will undertake offsetting action to keep money supply growth in check; Reduction in customs and excise duties and strengthening of liberal import policies, especially of essential commodities. Imports and potential imports play an important role in holding down inflation. I am confident that my colleague, the Commerce Minister, will soon announce an Exim Policy which will help contain rising prices. A demonstrative commitment to use a very comfortable foreign exchange reserve position to import essential commodities on Government account to augment supplies to PDS. We imported 1.5 million tonnes of wheat in the final months of 1996-97, i.e. February and March. We will not hesitate to import more wheat to hold the price line in 1997-98. Finally, the Budget, which everybody agrees is pro-growth and pro-investment, will boost domestic production of goods and services which is the best way of combating inflation. Madam, I wish to add a small tailpiece on the foreign exchange reserves. Now we will perhaps achieve the highest level of foreign exchange reserves by the 31st of March this year. it is likely to touch 21 billion

dollars. But in a way this is an embarrassment of riches. In 1995-96 foreign exchange reserve was run down by three billion dollars because net RBI financing to the Government expanded by Rs. 19,885 crores which sort of balanced off the total monetisation Last year, i.e. the current year, net RBI financing to the Government is now in the region of Rs. 6,000 crores. In the meanwhile, contrary to what many people write and speak, the inflow of foreign exchange has been overwhelming. This year the addition to foreign exchange reserve is going to be four billion dollars. This four billion dollars is putting pressure on the money supply because an equivalent amount of Indian rupees is being pumped into the Indian market. Therefore, while, at the moment, I am not revealing any strategy, but we need to use this foreign exchange reserves creatively. Dr. Jagannath Mishra will be happy to hear that this figure is 24 per cent more than the revised estimates of 1996-97. It is 24 per cent increase over RE in 1996-97.

DR. JAGANNATH MISHRA: Exactly what happened in 1996-97 was, you reduced ...*(Interruptions)*...

SHRI P. CHIDAMBARAM: I am coming to that.

DR. JAGANNATH MISHRA: ...by Fifteen hundred crores in fiscal dificit alone and Rs. 9,00 crores in rural sector alone.

उपसभापतिः मिश्र जी, आप तो बोल चुके हैं, उसका जवाब आप सुन लीजिए।

डा॰ जगन्नाथ मिश्रः कंफ्यूजन दूर करने का सवाल है। मैंबर्स के कंफ्यूजन को कौन दूर करेगा।

SHRI P. CHIDAMBARAM: I will do that. I am aware of it. Madam, I object to saying that I am confusing anyone. if only people will be patient, all the figures will come out. I read your speech in entirely. The fact remains that the increase in social services is 24 per cent RE in 1996-97. The provisions for social services, Plan and non-Plan taken together, is Rs. 17,183 crores. As a ratio of total expenditure also, the allocation for social services has increased to an all time high of 7.4 per cent of total budgetary expenditure. Never before has social services got 7.4 per cent of total budgetary expenditure. The allocation is also at the peak level as the proportion of GDP. Now, Dr. Mishra's complaint, I am aware of it. it has appeared in many papers. The complaint is that the total Outlay on the plan has been reduced by Rs. 10,000 crores. Plan Outlay, Madam, is different from Plan expenditure. Plan Outlay is the sum of budgetary support plus IEBR. As I said in my Budget speech, budgetary support for the total Plan, Central and state together, this year has increased by Rs. 209 crores over what was budgeted. I saved about Rs. 2,500 crores in the Central Plan but I immediately gave it to the State Plan. That is why the Budget Statement says that over-all we spent Rs. 209 crores more on the Plan. We saved Rs. 2571 crores in the non-Plan. Plan is up by Rs. 209 crores. Net saving to the Central Government is Rs. 2,362 crores, but we gave this amount as additional assistance to the State. That is the difference between the United Front Government's approach to savings in the Centre and previous approaches. I am not criticising the previous approaches. All I am pointing out is what was saved was immediately given as additional Central assistance to the States; they got another Rs. 2,500 crores more. That is another point. Now, Dr. Mishra's criticism is, and some other criticism is that the Plan Outlay is less by Rs. 10,000 crores. Very well. Let us take the Central Plan. Is it the first year in which the Central Plan Outlay in the Revised Estimate is less than the B.E.? No, and the reason is obvious. The reason is not that the Finance Ministry of the Government of India withheld budgetary support. In fact, we have given more, as I said. The reason is, Ministries and the public sector undertakings under them, are unable to raise internal and extra-budgetary

resources. I can go by Ministry by Ministry. It is the failing in the IEBR which is affecting the Plan Outlay and it has not happened for the first time in 1996-97. Madam let us look at the figures . In 1991-92, B.E. was Rs. 19,015 crores, the actual was Rs. 17,096 crores. Central Plan Outylay declined by Rs. 1,919 crores. Let us take the most recent year of the Congress Government, the previous Government. In 1995-96, the B.E. was Rs. 28,994 crores, the actual was Rs. 27,613 crores. Plan Outlay was down by Rs. 1,381 cores. So it is not the first year that this has happened. Plan Outlay, at the end of the year, is less than the Budget Estimate because Ministries are unable to raise internal and extra budgetary resources. The same thing happened this year. There was a saving. But what did I do with that saving. That is the question which Dr. Mishra should ask. Did I pocket it and claim it as a saving? Did I reduce my fiscal dificit and say, I have done better than Budget Estimate? Did I take five per cent and say, "No, I have done 4.8 per cent?" No: I gave that money immediately to the States. I have given them Rs. 2,500 crores more as additional Central assistance. Therefore, the States today are profited from whatever saving has been done in the Central Plan. If Dr. Jagannath Mishra remembers that he was the Chief Minister of Bihar one day and he may become the Chief Minister of Bihar in future, he should welcome my approach that whatever I save here I am giving to the State Governments.

Let us take the Central and the State Plan together. I first gave the figures of the Central Plan. Let us now take them together because after all we are the parliament of India. In 1991-92, In respesct of budgetary support for the Central, State and the UT Plans for the year 1991-92, BR was Rs. 33,725 crores and the actuals was Rs. 30,961 crores, less by Rs. 2,764 crores. Let us take the most recent one, 1995-96. BE was Rs. 48,500 crores and was actuals was Rs. 46,374 crores, less by Rs. 2,126 crores. Therefore, there was nothing unusual in the Plan outlay being less than BE. I can go down the Ministries. But I don't want to embarrass any particular Ministry which has not raised the IEBRs. The point I would make is that we must keep a distinction between budgetary support which the Finance Ministry, with the support of the Prime Minister, has to give, and the ability of the Ministries to raise internal and extra-budgetary resources. We have given every rupee that we promised to them. But they could not raise IEBRs sufficiently for a variety of reasons. I can understand that in a year of transition—I don't want to go into the details—in a year of transition of one Government to another, when the Budget was presented late, when the Budget was passed in the middle of the year, when new Plans were made, when new Ministers had taken over, there will be some shortfall in the IEBRs. It happened in 1991-92. It happened in 1989-90. It happened in 1977-78. And what has happened in 1996-97 is nothing unusual or unprecedented. Give us time. This year let us see how the Ministries perform. Let us see how the IEBRs perform. With the permission of the prime Minister, I wish to make an announcement. This year onwards, I intend to come back to parliament every quarter and report to it the IEBRs of each Ministry. I will come back and report to parliament about the IEBRs of each Ministry so that you can ask, not me at the end of the year, but the Minister concerned every quarter why he has not raised the IEBRs, as promised in the Plan. I think it will be a good way to enforce accounting, a good way for Parliament to keep a watch over the progress of the Plan. Every quarter, I will come and report to Parliament about IEBRs performance of every Ministry. I think that should satisfy Dr. Mishra now, to some extent.

SHRI S.S. AHLUWALIA (Bihar): You are selling dreams. You are becoming a dream-seller.

SHRI P. CHIDAMBARAM: Madam,

I wish to conclude by highlighting some aspects of the Budget which have not received the attention because they are not attractive ones like taxes, non-taxes. But I think the record must show that we have taken a number of initiatives.

On the Accelerated Irrigation Benefit Programme, we have raised the allocation from Rs. 900 crores to Rs. 1,300 crores. I would urge upon the States to use this money fully. Nothing is more important to India than investing in irrigation infrastructure. Last year, because the Programme itself came in the middle of the year, the States had to mobilise the resources. But this year the States had mobilised the resources. I would most humbly appeal to the Council of the States, the Members who are representing the States here, to go back to their Chief Ministers and tell them to use this money, Rs. 1,300 crores, fully. There is a promise of more money next year under the AIBP.

SHRI VAYALAR RAVI (Kerala): Kerala did not get much last year.

SHRI P. CHIDAMBARAM: That is did not correct. All the States have got it. It was allocated by the Planning Commission presided over by Prof. Dandavate who is a good friend of Vayalar Raviji. He cannot accuse Dandavateji of being partisan or capitalistic as he did yesterday when he accused me.

The Ganga Kalyan Yojana has been given Rs. 200 crores. I have heard some hon. Members expressing the point that we must raise this allocation. Depending upon the progress of the Ganga Kalyan Yojana this year, I intend to raise the allocation during the course of the year. The Prime Minister, as I said, will soon inaugurate...*(Interruptions)*...

DR. JAGANNATH MISHRA: This Rs. 1,300 crores is shown in the States' Plan.

SHRI P. CHIDAMBARAM: Last year it was shown in the Central Plan. This year it was shown in the States' Plan.

DR. JAGANNATH MISHRA: There is confusion

SHRI P. CHIDAMBARAM: There is no confusion. We have transferred it to the States. That is the philosophy of this Government—to the extent of the money to be given to the States, we transfer it to the States. Instead of taking the money in the Central Plan and allocate it, we are giving it to the States. That is why you will see a reduction of Rs. 800 crores in the Central Plan relating to the Ministry of Water Resources. But the money is added to the States' Plan. Mr. Janeshwar Mishra knows that it is in the States' Plan. If you ask him, he will tell you and there is no complaint on that ground.

The Kasturba Gandhi Shiksha yojana will get Rs. 26 crores to address the vexed question of low female literacy. Another notable initiative is giving Rs. 2,500 crores for RIDF. I know one hon. Member from Tamil Nadu gave a casteist orientation, I am told, to the Budget. I deeply regret that anybody should give a caste appellation to a Budget. The point remains that when the RIDF-I was announced and Rs. 2,000 crores was made available, one State which asked for nothing and got nothing was Tamil Nadu because they are too busy in doing other things. They did not ask for or got anything out of the RIDF. The RIDF-II of 1996-97 has been distributed and Tamil Nadu also got its share and the Chief Minister of Tamil Nadu, in his Budget Speech, complimented the Government of India for the reasonable share allocated to Tamil Nadu. The RIDF-III is being given another Rs. 2,500 crores. I would urge upon the hon. Members to impress upon their Chief Ministers to present proposals to NABARD to take as much as possible from out the RIDF-III. The RIDF-III has another Rs. 2,500 crores for rural infrastructure—to roads and irrigation facilities. I don't wish to list all the other initiatives taken for the social sector because there are a number of initiatives in the Budget.

Finally, the Budget has always been used as an opportunity to outline the policies of the Government, going

beyond fiscal and monetary policies. This Budget has been no exception. This Budget also has announced a number of initiatives. There are a number of policy pronouncements going far beyond fiscal, monetary and taxation policies. I think these are important as important as taxes, non-taxes and rvenues. We have announced a new policy for exploration, and I hope the House will have an opportunity to debate this new policy. We have also announced a new policy for information technology. This is an area where India will become the leader and I sincerely hope that at least 25 Members of this House will come together to form a group on information technology. There must be a champion for information technology. Unless there is a champion for information technology, we will not be able to make a breakthrough. It will be worthwhile for a group of Parliamentarians interested in information technology, to come together and champion the cause of information technology where India can become a world leader.

ONGC and OIL have for the first time been given a level-playing field in exploration and the Chiefs of these two companies have publicly acknowledged what has been done in the Budget and subsequently. The Budget allocation for National Highways is being raised by Rs. 500 crores. Parliament has passed a new law and I sincerely hope that the whole area of highways will take off now. There is a famous statement of an American President. He said and I quote:

"America has good roads not because it is rich; America is rich because it has good roads."

The only way to open up India's economy is by building roads. Thousands and thousands will be employed. Cement industry, steel industry and all industries will have a boom. We must build roads. We must not come and stand in the way of a highway being built. Yes, some people will be affected. That is why RNR will take care of them. But we must build roads in this country. We must build railways in this country. We must open up. We are opening up the North-East. We are opening up Kashmir by building new railways. We must build millions and millions of kilometres of roads and I sincerely hope that this task will be addressed to with great importance.

Support to science and technology. I would request the Standing Committee on Science & Technology to invite Dr. Mashelkar, Dr. Paroda and ask them whether the Budget, this one and the last one, has done enough for science and technology. Don't take my words for it. Please ask Dr. Mashelkar. Dr. Paroda whether this Budget has done enough for science and technology and then form your own judgement based upon what they will say.

Madam, a number of other initiatives have also been take. The most important one among them is that we are accepting the Tenth Finance Commission's recommendation to devolve 29 per cent of all the taxes upon the State Governments. State after State is going toget more money. I will come before this House with a Constitution Amendment Bill and I would urge upon the hon. Members to support me in passing this Bill.

1.00 P.M.

But 29 per cent is not a sacred figure. We can debate it. We can discuss it. We can increase it as we go along. We can review it. But a principle must be established that the revenues of the Government of India are to be shared between the Centre and the States.

Finally I havae brought in this Budget, with the support of the Prime Minister, a new measure of fiscal discipline. No more *ad hoc* treasury bills! Mr. Shankarrao Chavan is here. He knows what these *ad hoc* treasury bills mean. It means the Ministries have the freedom to spend without any kind of discipline, without any kind of prudence because the bill will take care of it, no cheque of the Government of India will bounce. As Chief minister also he knows that the cheque of the Maharashtra Government will bounce,

but as the Finance Minister of India he knows that his cheque will not bounce. I am not suggesting that the cheques of the Government of India should bounce or will bounce. It will not happen. But the point is that we must bring fiscal discipline into the administration of the Government of India. Therefore, we have abolished *ad hoc* treasury bills with effect from Ist April. A ways and means advance is coming into being. Two years is the transition period after which, of course, even this will have to be tightened. I sincerely hope that all of you will support me in bringing discipline, prudence and austerity into the expenditure of the Government of India. *(Interruptions)*

THE DEPUTY CHAIRMAN: No. We are asking any questions now. *(Interruptions)* No more debate, please. *(Interruptions)*

DR. BIPLAB DASGUPTA (West Bengal): Madam, not a single question has been answered. *(Interruptions)*

SHRI P. CHIDAMBARAM: I have not completed. *(Interruptions)* I have not completed. *(Interruptions)* I have not completed. *(Interruptions)*

THE DEPUTY CHAIRMAN: No more debate please. *(Interruptions)* Jagnnath Mishraji, please sit down. We are not opening a debate again. *(Interruptions)*

SHRI P. CHIDAMBARAM: Dr. Biplab Dasgupta, I have not yet completed. *(Interruptions)*

THE DEPUTY CHAIRMAN: Please sit down. He has not yet completed. *(Interruptions)*

DR. BIPLAB DASGUPTA: madam, not a single question has been answered by him. You don't want to take our opinion into consideration. *(Interruptions)*

SHRI P. CHIDAMBARAM: Don't get excited. *(Interruptions)* Don't get excited. *(Interruptions)*

THE DEPUTY CHAIRMAN: Biplab babu, please sit down.

SHRI P. CHIDAMBARAM: Madam, just because he shouts, I am not going to get frightened by him. *(Interruptions)* Please understand that I have not yet completed. *(Interruptions)* Do you understand? I have not yet completed. *(Interruptions)*

THE DEPUTY CHAIRMAN: He has not finished. *(Interruptions)* He has not finished. Please sit down.

SHRI V. NARAYANASAMY: Madam,...

THE DEPUTY CHAIRMAN: The Finance Minister has not completed. He is still completing. I don't understand what the hurry is. Are you hungry? *(Interruptions)* Jagannathji, please sit down.

DR. JAGANNATH MISHRA: The Prime Minister announced a package for Bihar, Orissa, Uttar Pradesh... *(Interruptions)* What is the nature of that package? We want to know that.

SHRI P. CHIDAMBARAM: That can be on some other occasion. What has this got to do with the budget?

DR. JAGANNATH MISHRA: This is the right moment. The Prime Minister is here. *(Interruptions)* The Prime Minister had himself announced it. *(Interruptions)*

SHRI P. CHIDAMBARAM: Madam, I object to what Dr. Biplab Dasgupta is saying. I have not completed my reply. Why is he getting excited? *(Interruptions)*

DR. BIPLAB DASGUPTA: You have replied to Pranab Mukherjee and not to...

SHRI P. CHIDAMBARAM: So, what can I do? Wait until I reply. Let me complete first. *(Interruptions)* Madam, this is the first time that I have heard an hon. Member saying that he is aggrieved because I have not taken his name. *(Interruptions)* You wait until I complete my reply. *(Interruptions)* You wait until I complete my reply.

THE DEPUTY CHAIRMAN: please sit down.

SHRI NARENDRA MOHAN: Madam,...

उपसभापतिः नरेन्द्र मोहन जी आप बैठिए। वहां लड़ाई-झगड़ा हो रहा है।

Mr. Finance Minister, will you please complete your reply?

SHRI P. CHIDAMBARAM: I am completing, Madam. *(Interruptions)*

SHRIMATI RENUKA CHOWDHURY: Madam, I also want to seek some clarifications.

THE DEPUTY CHAIRMAN: We can't start another discussion now.

SHRI RENUKA CHOWDHURY: Madam, everybody is asking.

THE DEPUTY CHAIRMAN: No clarifications. *(Interruptions)*. No.

SHRI V. NARAYANASAMY (Pondicherry): Madam, the Minister has not clarified about petroleum prices. He has not addressed this issue. *(Interruptions)*

THE DEPUTY CHAIRMAN: Mr. Narayanasamy, please sit down. *(Interruptions)* Please sit down. *(Interruptions)* Mr. Narayanasamy, it is not going on record.

SHRI V. NARAYANASAMY: *

THE DEPUTY CHAIRMAN: It won't go on record.

SHRI V. NARAYANASAMY: *

THE DEPUTY CHAIRMAN: I am not allowing it. Please sit down. नरेन्द्र मोहन जी आप बैठिए। नरेन्द्र मोहन जी मैं हाउस में सबको बोल रही हूं। कि इस हाउस की परम्परा को कायम रखिए। फाइनेन्स मिनिस्टर साहब अभी बैठे नहीं है, वे बोल ही रहे हैं और आप लोग रिकार्ड पर आने के लिए क्यों हाउस को डिस्टर्ब कर रहे हैं? *(Interruptions)* Please sit down. *(Interruptions)* No, I am not allowing it. You all had ten hours of discussion and I am giving him only one hour to reply. But let him first finish his reply. *(Interruptions)* Please sit down. You had ten hours of discussion. It can't be more than that. *(Interruptions)* If you could not ask your questions, then it is not my problem. You should have addressed it in your speeches. There should be some discipline in this House. Finish your reply, Mr. Finance Minister. *(Interruptions)*

SHRI V. NARAYANASAMY: Madam, all the points were raised, but even he took a little more time.

THE DEPUTY CHAIRMAN: Never mind. *(Interruptions)* Renukaji. You are a floor leader. At least, you please maintain some dignity.

SHRIMATI RENUKA CHOWDHURY: But, Madam, I am sitting quiet and waiting. This is unfair. This is extremely unfair that my name is being taken. I am sitting quietly, waiting and requesting you politely for permission to ask my questions when all of them are shouting.

THE DEPUTY CHAIRMAN: No, because you were cross-talking with Mr. Narayanasamy.

SHRIMATI RENUKA CHOWDHURY: Madam, this gender bias is reversed.

THE DEPUTY CHAIRMAN: I am not going to react. I am sorry. I am serious. I don't want cross-talks in the House that you are saying he is right, he is saying you are right. Let him finish first. Let him finish his reply without any disturbance.

SHRIMATI RENUKA CHOWDHURY: I was quietly waiting for my turn while they all interrupted.

*Not recorded.

THE DEPUTY CHAIRMAN: Thank you very much. I am thankful to you for being very kind to the House.

SHRI P. CHIDAMBARAM: Madam, I started by saying that some issues relating to specific areas of axation can be relegated to the debate on the Finance Bill. I said that. If I have not addressed to specific issues on taxation, Excise Duties and Customs Duties and on the personal taxation, I said there is an opportunity to discuss them in the Finance Bill. I will discuss, therefore, the general philosophy. I just say that. It is not that I am running away. I am trying to save time. I am addressing the General Budget now and I will discuss that later. But, if you want me to address specific issues on taxation, it will take considerably more time because a number of suggestions have come on taxation.

Now, Dr. Biplab Dasgupta cannot find fault with me because of all the specches made in Rajya Sabha, the one speech which I listened to fully, from the beginning to the end, was his speech, sitting here. When Mr. Chaturvedi was speaking, I was here only for some time; when Shri Pranab Mukherjee was speaking, I was not here at all; Shri Vayalar Ravi, of course, an old friend of mine, therefore I was here for quite some time. If I have to be accused of being this and that, it is better to be accused by Shri Vayalar Ravi. There is a proverb in Tamil which says that if you have to be knocked, it is better to be knocked with fingers wearing a golden ring. Therefore, I have heard Dr. Biplab Dasgupta. He gave me also a paper which he wrote. I also spent the last night reading the paper it is about structural adjustments and fiscal policy. Where, we are not debating the larger issue of structural adjustments. I also saw the file where a Seminar was held in Calcutta on "East-Asian Experience"— one of my officers had attended it. I have read the brief on that also; I read the paper he presented there also. He says the East Asian experience shows intervention by the State. Now, I have been told, it is like — I have not seen the movie — there is a movie, I believe, by the famous Japanese director Kurosova, known as Rosoma. The story is several people see the same event and when they come out of the place, each one describes the event completely differently. Therefore, you can take the East—Asian experience and you come out with different perception. Dr. Dasgupta thinks that the East-Asian experience shows that the State is interventionist. There are other distinguished ecomomists...

DR. BIPLAB DASGUPTA: The World Bank has said so.

SHRI P. CHIDAMBARAM: So, what should I do? Accept it!

DR. BIPLAB DASGUPTA: Why not?

SHRI P. CHIDAMBARAM: What was the point? ...*(Interruptions)*....

DR. BIPLAB DASGUPTA: What do the experts say? You tell me.

SHRI P. CHIDAMBARAM: Are we debating that in the Budget? ...*(Interruptions)*....

THE DEPUTY CHAIRMAN: Dr. Biplab Dasgupta, it is his viewpoint. As you are free to have your viewpoint, I think the Finance Minister equally has to have his viewpoint.

SHRI P. CHIDAMBARAM: Therefore, I respect...

THE DEPUTY CHAIRMAN: It is entirely his viewpoint. He has not given your veiwpoint.

SHRI P. CHIDAMBARAM: I respect Dr. Dasgupta's view that the East-Asian experience can be seen as an interventionist State achieving those objectives. There are others who have a different view. Now, I don't have to give a view. Why should I give...

DR. BIPLAB DASGUPTA: Who are these others? Tell me.

SHRI P. CHIDAMBARAM: We are not debating it, Madam. We are not debating that. This is not a seminar ...*(Interruptions)*....

DR. BIPLAB DASGUPTA: You tell me the names ...*(Interruptions)*....

SHRI P. CHIDAMBARAM: Madam, he can raise his voice, he can say that his economic point ...*(Interruptions)*....He can say that his economic point of view has to prevail. Fortunately, we are in a democratic country where people will have different views. Even economists function in a democracy. There cannot be... we are in a democracy. It is not correct.

SHRI P. CHIDAMBARAM: What did I say? I said, 'fortunately'. ...*(Interruptions)*.... Madam, it is a complete digression.

THE DEPUTY CHAIRMAN: Dr. Biplab Dasgupta, please sit down. Please take your seat ...*(Interruptions)*.... Mr. Finance Minister please continue.

SHRI P. CHIDAMBARAM: Madam, it is a complete diversion and digression from the subject on hand to ask me to debate with Dr. Biplab Dasgupta about the East-Asian experience. ...*(Interruptions)*.... I don't think, anyone in this House wants me to debate the East-Asian experience now. They want me to reply to the General Budget debate. Now, I recognise his point of view. I have told him, after I read his paper, he wanted me to comment on his paper, I have taken the onerous responsibility knowing my in adequacy and his expertise as an economist.

He wanted me to comment on his paper. I have taken the onerous responsibility knowing my inadequacies and his expertise as an economist ...*(Interruptions)*.... I have taken the responsibility in agreeing to comment in writing on his paper. So I will comment on his paper in writing. Then, of course, he also raised issues about capital account convertibility and about public sector. There is nothing more to add to what I said in my Budget Speech. What did I say? Last year we revived, actually revived, 'X' number of sick industries.

We made a provision in the Budget. But, we spent much more. Actually, revivable industries have been revived. I said in my Budget Speech this year that with the support of the Prime Minister I have made an allocation for reviving the public sector. I have made an allocation for paying them ideal wages and statutory dues. I said whatever is revivable would be revived. But, I cannot now say what will be revivable. Each proposal has to come through the BIFR, through the Ministry concerned, to the Cabinet of India. If the Cabinet of India decides that this public sector unit is revivable and it should be revived, the money will be provided. I will come back to the Parliament like last year. Therefore, our philosophy is that we must revive all the revivable sick public sector industries. What is revivable has to be decided by the BIFR, by the Ministry concerned and eventually by the Cabinet. Let me assure the public sector that revivable public sector industries will be revived. Then my learned friend raised an issue about capital account convertibility. In fact, he made a long presentation on capital account convertibility. There are many countries which have moved on to capital account convertibility. We have not done that. All that I said is that we will appoint a Committee to give us a road-map on capital account convertibility. The Committee will tell us what is the objective, how it should be achieved and what milestones, what targets are to be met. The Committee has just been constituted. Let the Committee give its report. If you wish, I will place it before the House. We can debate it. No decision has been taken on capital account convertibility. There are already elements of capital account convertibility in this country; for the foreign institutional investor, it is convertible; for the foreign direct investment in equities, it is convertible. I have announced that for the EFC exporter, up to 15 million it is convertible. There are already elements of capital account convertibility in our fiscal and monetary policy. But, whether we should go to full account convertibility is a matter on which I cannot take a decision hastily. I have appointed a Committee. Let the Committee come out with its report. Dr. Dasgupta has a genuine point of view that we should never go to capital account convertibility. I would urge him to kindly meet with the Committee and I will ask the Committee to invite him. Let him discuss it with the Committee. Let the Committee come with a report. Therefore, there is nothing for me to decide or announce or declare today. These are matters of basic economic philosophy which have to be debated and the Government has to take a decision. We are not deciding as economists. When I sit in that chair, I am not deciding as an economist. I am deciding as a political leader with administrative responsibilities and with inputs of economists. I do not see myself as an economist sitting in the Finance Minister's chair. I see myself as a political person, taking political decision with inputs from economists. That is how, I believe, most of the Members of the House would want the Finance Minister to be. With that, Madam, I would mostly humbly submit that I have dealt with the general philosophy behind the Budget. I may not have answered one or two questions, but I will deal with all questions on taxation in the debate on the Finance Bill.

THE DEPUTY CHAIRMAN: So many questions are there. ...*(Interruptions)*.... Everybody has asked. ...*(Interruptions)*....

SHRI S.S. AHLUWALIA: Madam, it has been said that if there is low procurement of wheat, they would be importing wheat. ...*(Interruptions)*.... The moment you say that you are going to import wheat, the international price of wheat goes up ...*(Interruptions)*.... When the wheat growers are demanding a review of wheat price, you are not

heeding to their demand. You are not discussing this issue with the farmers. You are not discussing it with the wheat growers. ...*(Interruptions)*....

SHRI NARENDRA MOHAN (Uttar Pradesh): Madam, last year he promised to give us a paper on subsidies. ...*(Interruptions)*....

SHRI P. CHIDAMBARAM: I will answer that. ...*(Interruptions)*.... The paper on subsidies is ready. We only wanted not to place all the papers on the same day. We have placed a paper on external debt; we have placed the Report on the Companies Act; we have placed the Report on Income-tax; we have placed Annual Reports. The paper on subsidies will be placed I belive, on 21st or so. I did not just want to burden the Table of the House by placing all the papers on the same day, so that newspapers also will get a chance to report them properly. So, they are staggered. The paper is ready. On Mr. Surinder's point, Madam, the hon. Prime Minister is here. We are concerned about some statements that are coming out of Punjab. We think that the farmers of Punjab should give their surplus wheat to the Central Pool. The support price has been fixed at Rs. 415, after taking into account the CACP's recommendation. Now, they are asking for some bonus. The matter is being discussed at the highest level. The hon. Prime Minister is speaking to the Chief Minister of Punjab and the Chief Minister of Haryana. It will be inappropriate and premature for me to announce anything now. Let them discuss the matter. But, I fervently appeal to the farmers of Punjab and the Governments of Punjab and Haryana. This country has stood by Punjab in its years of difficulties. We continue to stand by Punjab. We have written off their loans of about Rs. 800 crores. Pubjab today, because it is blessed by those three revers, has become the granary of India. The farmers of Punjab, I believe, are as patriotic as any other person and they will given their surplus to the Central Pool in order to feed the P.D.S. We are asking for wheat for the P.D.S. If there are some issues about bonus, etc., they can be resolved amicably. I have no intention of importing wheat for the sake of importing. But I must find wheat for my P.D.S. I cannot allow a situation as it happened last year when procurement was down by four million tonnes. We cannot afford such a situation for the second year running. When India enters a market, we cannot do so in secret. We are a democracy. A file has to be opened and some twenty signatures have to be obtained. If India has to go into the market we should not worry about that. If a small country goes to the world market to buy 100,000 tonnes of wheat, it may not affect. But, when India enters the world market, it will affect some prices to some extent. But we should not worry about those things. We are a big country and our needs are big. We are a democratic country and decisions will be taken transparently. We cannot decide it secretely. I have no intention of importing wheat if we are able to maximise procurement. I am confident, with the support of everybody in this House, the hon. Prime Minister will be able to prevail upon the Chief Ministers of Punjab and Haryana and enough wheat will be procured in this country, in which event no import will take place. Let me say that also very clearly ...*(Interruptions)*....

SHRI S.S. AHLUWALIA: Whatever import you decide, you decide after taking them into confidence.

THE DEPUTY CHAIRMAN: Please sit down ...*(Interruptions)*.... Renuka, you ask your question ...*(Interruptions)*.....

SHRIMATI RENUKA CHOWDHURY: Madam, he has rightly said and I agree with him that previous Finance Ministers had never discussed the Oil Pool Deficit. But, I want to understand the market economy on a purely academic point. If the I.O.C., if

all our refineries are owed Rs. 15,000 crores, and we do not want to discuss it, and if the I.O.C. comes and borrws Rs. 1,000 crores on commercial paper today, what happens to the interest rates that are spiralling in market and how do we propose to control the inflation thereafter? That is all I want to ask.

SHRI P. CHIDAMBARAM: If the Oil Pool Account is not addressed, the oil companies will have to borrow in the market because that deficit has to be financed by somebody. It has to be borrowed in the market. Borrowing in the market will indeed crowd out other borrowers. Interest rates also will not suffer. We are fully aware of that. But all that I said was, not that the Government will not address the issue; all that I said was, the Budget is not the place to address that issue.

SHRIMATI RENUKA CHOWDHURY: You are just splitting hair.

SHRI P. CHIDAMBARAM: I said, the Government will address the issue. The Government will address that issue. When the Government addresses the issue, as a leading member of the United Front, Mrs. Chowdhury's party's view ill also be reflected while we address that issue.

THE DEPUTY CHAIRMAN: The House is adjourned for lunch for one hour.

The House then adjorned for lunch at nineteen minutes past one of the clock.

The House reassembled after lunch at twenty-five minutes past two of the clock, THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI) in the Chair.

Seeking Disapproval of the National Envirooment Appellate Authority Ordinance 1997

STATUTORY RESOLUTION
AND
THE NATIONAL ENVIRONMENT APPELLATE AUTHORITY BILL, 1997

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): Now, we will take up Statutory Resolution by Shri Satish Agarwal and the National Environment Appellate Authority Bill 1997 together.

SHRI VAYALAR RAVI (Kerala): Sir, I am on a point of order. I am on a point of order. Please give me one minute.

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): What is your point of order?

SHRI VAYALAR RAVI: There is a provision in article 123 of the Constitution. As you know very well, it should be used only in an extreme situation or on a rare occasion. I quote: "If at any time, except when both Houses of Parliament are in session, the President is satisfied that circumstances exist which render it necessary for him to take immediate action, he may promulgate such Ordinances as the circumstances appear to him to require." We are having a list of 13 Ordinances which have been issued ...*(Interruptions)*... Let me formulate. I am raising a very important issue.

THE VICE-CHAIRMAN (SHRI TRILOKI NATH CHATURVEDI): This issue has already been raised. I think it would be replied to be the hon. Minister. You have raised your point of order ...*(Interruptions)*...

SHRI VAYALAR RAVI: Mr. Vice-Chairman, Sir, I want your ruling on this. Either you have to make a rule or the Chairman has to make a rule so that it is not repeated. That is my point. Finally, the Minister is going to give a reply. But so far as the ruling is concerned, it should